

## **Draft Redesigned Form 990**

On June 14, 2007, the IRS released for public comment a discussion draft of a redesigned Form 990, *Return of Organization Exempt from Income Tax*, filed by many public charities and other exempt organizations. The discussion draft constitutes a significant redesign of the form, which has been revised only on a piecemeal basis since 1979. The IRS anticipates using the form for the 2008 tax year (returns filed in 2009). The comment period closed on September 14, 2007.

The redesign of Form 990 is based on three guiding principles: enhancing transparency, promoting tax compliance, and minimizing the burden on the filing organization.

- Enhancing transparency means providing the IRS and its stakeholders with a realistic picture of the organization and its operations, along with the basis for comparing the organization to similar organizations.
- Promoting compliance means the form must accurately reflect the organization's operations and use of assets, so the IRS may efficiently assess the risk of noncompliance.

Minimizing the burden on filing organizations means asking questions in a manner that makes it relatively easy to fill out the form, and that do not impose unwarranted additional recordkeeping or information gathering burdens to obtain and substantiate the reported information.

## **New Annual Electronic Filing Requirement for Small Tax-Exempt Organizations — e-Postcard (Form 990-N)**

Beginning in 2008, small tax-exempt organizations that previously were not required to file returns may be required to file an annual electronic notice, Form 990-N, *Electronic Notice (e-Postcard) for Tax-Exempt Organizations not Required To File Form 990 or 990-EZ*. This filing requirement applies to tax periods beginning after December 31, 2006. Organizations that do not file the notice will lose their tax-exempt status.

Small tax-exempt organizations, whose gross receipts are normally \$25,000 or less, are not required to file Form 990, *Return of Organization Exempt From Income Tax*, or Form 990-EZ, *Short Form Return of Organization Exempt from Income Tax*. With the enactment of the Pension Protection Act of 2006 (PPA), these small tax-exempt organizations will now be required to file electronically Form 990-N, also known as the e-Postcard, with the IRS annually. Exceptions to this requirement include organizations that are included in a group return, private foundations required to file Form 990-PF, and section 509(a)(3) supporting organizations required to file Form 990 or Form 990-EZ. In addition, this filing

requirement does not apply to churches, their integrated auxiliaries, and conventions or associations of churches.

The IRS began mailing educational letters in July 2007 notifying small tax-exempt organizations that they may be required to file the e-Postcard. The IRS is developing an electronic filing system (there will be no paper form) for the e-Postcard and will publicize filing procedures when the system is completed and ready for use.

The PPA requires the IRS to revoke the tax-exempt status of any organization that fails to meet its annual filing requirement for three consecutive years. Therefore, organizations that do not file the e-Postcard (Form 990-N), or an information return Form 990 or 990-EZ for three consecutive years, will have their tax-exempt status revoked as of the filing due date of the third year.

If you would like additional information about this new filing requirement, including notification when the filing system is ready, or information about other new developments, *subscribe* to Exempt Organization's EO Update, a regular e-mail newsletter that highlights new information posted on the Charities pages of [irs.gov](http://irs.gov).